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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS AND PROSPECTS

To maintain our position as one of the leading providers of travel related products and services in Hong Kong, we intend to capitalise on our travel expert brand recognition, enhance our competitiveness and achieve sustainable sales growth. To achieve our objectives we plan to implement the following strategies:

#### **Development of corporate sales business**

During the years ended 31 March 2009, 2010 and 2011, corporate sales contributed to approximately 7.2%, 7.0% and 5.5% respectively of our Group's gross sales proceeds. In the past 25 years, we have focused on developing our retail sales network. We have built up a strong corporate brand name and have laid a solid operating platform in the travel agency industry. We have established satisfactory business relationship with major airlines, hotels and related wholesale agents. Our Directors are confident that we are able to leverage on our existing operating platform to tap into the corporate sales segment.

Our Directors consider that the development of the corporate sales segment would strengthen our Group's revenue base. We have allocated resources to support our business services team, of which all of its members possess the relevant experience and attributes to assist the business and infrastructure development of our corporate sales business.

Our Directors expect that development of the corporate sales segment will not only increase our Group's revenue but may also more than proportionally increase our Group's incentive income. As explained under the "Business" section of this prospectus, we earn incentive income from our GDS providers and the amount of incentive income is calculated based on the number of air ticket segments booked through our Group with the GDS. We also earn incentive income from airlines, hotel operators, and land agents; the amount of incentive income is generally calculated with reference to the amount and/or volume of sales transactions booked through our Group with the relevant travel suppliers. The incentive systems are functional on progressive rates which means that a higher percentage of incentive (subject to certain maximum percentage) may be payable to us as the sales and/or volume turnover increases to the next higher sales and/or volume turnover band booked through our Group. Any increase in the scale of our sales and/or volume turnover would contribute to maximising the incentive income rates receivable by our Group. According to our suppliers' incentive schemes, our Group is not given any different treatment on our retail sales and corporate sales. Certain incentive schemes offered to us by airlines put weights on a basket of parameters such as a special incentive for meeting certain specified thresholds of normal-fare tickets. To the extent that the travelling patterns and preferences in respect of our Group's retail sales and corporate sales are different, our Group's retail sales and corporate sales may contribute differently to our Group's benefits under our suppliers' incentive schemes.

The corporate sales segment is modelled on a different working capital structure from that of the retail sales segment as it is a market practice for the travel agent to grant credit terms to corporate customers whereas retail customers are normally required to make payment in advance or upon collection of tickets and booking vouchers. Our Directors understand that it is common in the corporate sales segment to allow credit terms of up to 30 days. The corporate sales segment has so far

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## FUTURE PLANS AND USE OF PROCEEDS

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not been our core revenue or profit driver. Our Directors are determined to manage our operating cashflow and credit risk exposure prudently. Our Directors expect that our Group will be required to allocate an additional sum of working capital to support the operations of the corporate sales segment. The relevant risk factor relating to the development of the corporate sales segment has been set out in the “Risk factors” section of this prospectus.

In addition to the above, the business model of corporate sales differs from that of retail sales in that, prior to opening an account with us, corporate customers go through a screening process by the Group as opposed to retail customers who generally just walk in, corporate discount rates may be extended to corporate customers, incentives may be offered to corporate customers upon meeting certain sales thresholds and the provision of various value-added services to corporate customers including special servicing by an assigned team, regular visits by the sales team, complimentary delivery of travel documents and the provision of a periodic management information report used by our corporate customers to analyse their travel expenses by various parameters including by corporate account, by division or department and by individual staff, within a specified period of time.

Our Group has been established for 25 years by 2011 and operated more than 50 retail shops as at Latest Practicable Date. Our success is attributable to our strong corporate brand name, a solid operating platform, satisfactory business relationship with suppliers and a dedicated management team. We rely on our operating platform to support our future expansion. We also rely on the service quality of our staff to remain competitive. Our Directors expect that our Group’s operating platform will sufficiently support our Group to meet the challenges of expanding horizontally to capture more corporate sales business.

TEBSL is the company in our Group which is used to create a separate corporate identity for developing the corporate business. The business plan for the year ending 31 March 2012 comprises the recruitment of a new full time senior executive who is responsible for leading the expansion of the corporate business for our Group and new account executives to strengthen our sales and business development capabilities with a focus on corporate customers. In parallel to strengthening our human resources, we have designed a new information system to streamline certain work procedure and enhance certain reporting functions with a view to raising our service standards for our corporate customers.

Our Directors believe that we are a long-established travel agency with a strong market presence in Hong Kong. Our sizable retail client base is a resourceful pool for cultivating potential corporate business when appropriate targeting and marketing effort is given. There are very few travel agencies in Hong Kong which specialise on corporate sales and have a network size comparable to that of our Group. Our Directors believe that our market presence in Hong Kong creates a positive influence on brand recognition and have confidence in competition with established and major players in the corporate sales market. Our Group’s retail sales provide our Group with liquidity which also enhances our competitiveness over established and major players in the corporate sales market.

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## FUTURE PLANS AND USE OF PROCEEDS

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### **Exploring possible regional expansion**

Our Directors have been looking for opportunities to scale our operations vertically and/or horizontally. Our Directors envisage that our Group may expand geographically out of Hong Kong with a priority in Asia (including the PRC) by way of acquisitions, franchise or forming joint ventures with strategic partners although no definitive action plans have been drawn up as at the Latest Practicable Date.

To prepare for our possible regional expansion, we have registered three trademarks in the PRC and one trademark in Singapore. Neither the PRC nor Singapore is our Group's only target expansion market. We have not formulated any other plans or a timetable relating to our regional expansion. However, we would like to earmark a certain sum of the net proceeds of the Share Offer to prepare for any attractive opportunities that may be presented to us from time to time.

TEL has received an opinion letter issued by the Tourism Administration of Guangdong Province (廣東省旅遊局) dated 26 July 2011 affirming that the Tourism Administration agrees with TEL's application for setting up a wholly foreign owned travel agency in Shenzhen, the PRC and the supporting documents are in compliance with the relevant laws and regulations in the PRC. It is also set out in the opinion letter that the English name and the Chinese name of the WFOE are Travel Expert (Shenzhen) Limited and 專業旅行社 (深圳) 有限公司 respectively. After that, we have submitted an application to the Shenzhen Science, Industry, Trade and Information Technology Commission (深圳市科技工貿和信息化委員會) for the establishment of the WFOE. We are studying the feasibility of an e-business model of travel agency in China and promotion of quality outbound tour packages from China and Hong Kong. Our Group plans to inject registered capital of RMB500,000 (equivalent to approximately HK\$0.61 million) into the WFOE as an initial funding for its operations. We have not yet drawn up any concrete business plan regarding our Group's expansion in the PRC and thus do not have any plans on any other capital expenditure as at the Latest Practicable Date. In addition to the aforesaid, our Group has submitted to the Trade and Industry Department of the HKSAR an application for certification as a Hong Kong supplier to supply travel agency services and tour operator services in Mainland China. On 21 April 2010, the Trade and Industry Department of the HKSAR issued a certificate certifying that TEL has met the standard of a Hong Kong service supplier as stipulated in the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and its supplement(s).

Our Directors and senior management of our Group presently do not possess any relevant experience and expertise in the PRC retail and online travel agency business. However, we plan to employ suitably qualified personnel to manage our Group's businesses in the PRC once our expansion plan is in a more advanced stage.

### **Consolidating our operational infrastructure to prepare for future expansion**

Following years of rapid business expansion, our management team has accumulated substantial managerial and technical intelligence which if utilised appropriately will produce dramatic improvements in many aspects to the efficiency of the operations of our Group. Our Directors consider that it is our priority for strengthening our operational infrastructure to enhance our Group's ability to tackle any cross-border expansion in the future.

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## FUTURE PLANS AND USE OF PROCEEDS

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Our Directors plan to centralise our support staff in our Group's newly acquired office premises at 9th Floor, Kowloon Plaza, No. 485 Castle Peak Road, Kowloon and consolidate our Group's operational infrastructure. Our Directors plan to allocate more resources to improve our Group's communications systems, training facilities and conferencing facilities to prepare for our Group's possible expansion in the future.

Our Directors recognise the importance and benefits of maintaining an efficient management system. Our Directors plan to upgrade our information systems to strengthen the ability of our Group to scale our management and operational efficiency. Our target objectives include:

- enhance information sharing between departments of our Group and thus allow quicker assessment and analysis of our Group's operational and financial data by our Group's management;
- establish an alternative online operation system to streamline sales workflow and minimise non-systematic errors;
- establish an advanced customer relationship management system;
- revamp our Group's human resources system to enhance the efficiency of our Group's mentoring functions; and
- enhance our Group's e-commerce capability.

Our Group plans to open more retail branches at strategic locations and to strengthen our sales teams to serve the growing customer demand. We shall equip our new office with the most up-to-date data processing and communication facilities and to connect all of our retail shops electronically by an "always-on" network, which is a network to provide data communication services between all our retail shops and our central server pool 24 hours, 7 days a week. This is important to gain our competitiveness in the travel industry whereby it is critical for information and data to be collected accurately and on a timely basis. This "always-on" network is supported by a licensed data communication provider in Hong Kong. This dedicated network will ensure the quality of the service of our retail shops which are scattered all over Hong Kong Island, Kowloon and the New Territories.

The sales activities will be pooled to our backend data warehouse system for more detailed and timely analysis. The sales data is fragmented and we have been building up the analysis tool to group the fragmented data into organised information as a data warehouse system. This is a helpful tool for our management to study the trend of our Group's different lines of business in different category of branches; and also a good tool for our management to project the sales.

With this improved infrastructure, all our retail shops and the staff in each retail shop are connected either by voice and video communication so that we can maximise our training time and results with our staff. We are also considering an e-learning system which can deliver the training in a more convenient way.

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## FUTURE PLANS AND USE OF PROCEEDS

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We have always emphasised strongly on staff training with respect to service quality, product knowledge and customer service. We have been using traditional classroom style training so far. With our growth in business and the increasing number of staff, the traditional classroom style training may not be sufficient to cope with the increasing training need. Therefore, we started a project to study the use of Internet and interactive teaching and coaching tools to deliver our service requirements and product knowledge to our staff through the Internet platform. This project is led by our Talent Management Division.

The setting up of the Cruise Centre has proven the success of using hotline support to sell special products. We plan to extend this method of support to our long-haul products and MICE products. Therefore, advanced telephone system will also form part of our operational infrastructure to support our future expansion.

### USE OF PROCEEDS

Based on the mid price of the Offer Price range of HK\$0.63 per Offer Share, the net proceeds of the Share Offer are estimated to be approximately HK\$49.5 million. Our Directors presently intend to use the net proceeds for the following purposes:

- approximately HK\$19.8 million (being approximately 40% of the estimated net proceeds of the Share Offer) for development of our Group's corporate sales business;
- approximately HK\$19.8 million (being approximately 40% of the estimated net proceeds of the Share Offer) for exploring possible regional expansion in Asia (including the PRC);
- approximately HK\$5.0 million (being approximately 10% of the estimated net proceeds of the Share Offer) for consolidating our operational infrastructure to prepare for future expansion; and
- approximately HK\$4.9 million (being approximately 10% of the estimated net proceeds of the Share Offer) for the general working capital of our Group.

There are risks that we may not be able to execute our business plans or there may be changes to the timing of our plans. Please refer to the section headed "Risk factors" of this prospectus for the relevant risks.

In the event that the Offer Price is fixed at HK\$0.56 or HK\$0.69 (being the respective lowest and highest points of the indicative range of the Offer Price as stated in this prospectus), the net proceeds of the Share Offer will be approximately HK\$42.6 million and HK\$55.3 million respectively, after the deduction of all underwriting fees and expenses paid and payable by us. In the event that the net proceeds are less or more than HK\$49.5 million by reason of the Offer Price being fixed at a price lower than or above HK\$0.63, we intend to adjust the allocation of the net proceeds to the above uses in the proportions stated above.

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## **FUTURE PLANS AND USE OF PROCEEDS**

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To the extent, if any, that the net proceeds to us from the Share Offer are not immediately applied for the above purposes, we will deposit the net proceeds into an interest-bearing bank account or to purchase money market instruments.

None of the net proceeds will be applied towards the acquisition of any property or any company to which paragraph 12 of the Third Schedule of the Companies Ordinance applies.

We will issue an announcement in Hong Kong if there is any material change in the above-proposed use of proceeds.